



**Los Angeles County
Board of Supervisors**

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John F. Schunhoff, Ph.D.
Chief Deputy Director

December 6, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mitchell H. Katz, M. D.
Director

**SUBJECT: RECOMMENDATION FOR DELEGATED AUTHORITY
TO EXECUTE AMENDMENT TO AGREEMENT WITH
HEALTH MANAGEMENT ASSOCIATES FOR
CONSULTANT SERVICES FOR AMBULATORY CARE
RESTRUCTURING AND OTHER INITIATIVES
REQUIRED FOR THE CALIFORNIA 1115 WAIVER
(Board Agenda Item A-4, December 6, 2011)**

On November 2, 2010, The California Department of Health Services (CDHS) and Centers for Medicare and Medicaid (CMS) entered into a new 1115 Waiver, commonly known as the California Bridge to Reform, for a five year period, commencing November 1, 2010. This Waiver provides the framework to federal Health Care Reform in 2014 for Medicaid Coverage Expansion (MCE) enrollees who are adults, aged 19-64, with incomes at or below 133% of the Federal Poverty Level (FPL) and who meet citizenship or legal residence requirements. The Waiver will provide health care coverage expansion, continued partial funding of public hospitals' uncompensated costs, new funding for delivery system improvements at public hospitals, Medi-Cal Managed Care coverage for Seniors and Persons with Disabilities (SPDs), and federal matching funds for various State-only funded programs.

On December 14, 2010, your Board authorized the Department of Health Services (DHS) to submit action items related to the 1115 Waiver to your Board on a standing agenda item designated as A-4. This memo requests your Board's approval of a recommendation of delegated authority to execute an amendment to an agreement with Health Management Associates (HMA) for consultant services to assist DHS with its ambulatory care restructuring and other initiatives to implement the California 1115 Waiver.

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BACKGROUND

As a result of a Request for Statement of Qualifications solicitation process conducted by the Chief Executive Office (CEO) in February/March 2009, HMA was selected as one of two firms advancing to the contract negotiations phase to select an independent review entity contractor. As part of that phase of the process, agreements were executed with each firm, under the CEO's delegated authority, to complete pilot study projects with separate scopes of work and to make presentations to your Board. Based on input from your offices, HMA was selected to evaluate the DHS Office of Managed Care (OMC)/Community Health Plan (CHP) and its readiness for pending health reform changes.

On April 13, 2010, your Board approved, in concept, the HMA report and recommendations on its evaluation of the DHS Office of Managed Care (OMC)/Community Health Plan (CHP) and its readiness for pending health reform changes. On September 21, 2010, the report of the DHS Ambulatory Care Restructuring Steering Committee was presented to your Board with a plan for implementing its recommendations. Since that time, as previously reported to your Board, the CEO extended and increased the delegated authority agreement with HMA to provide support to DHS in implementing its ambulatory care restructuring plan, as well as in negotiations with L.A. Care on both the transition of current CHP product lines to L.A. Care, and the transition of the Seniors and Persons with Disabilities to Medi-Cal Managed Care within the critical timelines needed for completion. The CEO delegated authority agreement expired on June 30, 2011.

On June 21, 2011, your Board approved the Department's recommendation to delegate authority to the Director of Health Services, or his designee, to execute an agreement with HMA, effective July 1, 2011, through December 31, 2011, with a maximum obligation of \$999,542, for consultant services to continue to assist DHS with ambulatory care transformation.

AMOUNT, TERM, AND SCOPE OF WORK FOR HMA AGREEMENT AMENDMENT

The proposed amendment will extend the agreement for six (6) months, through June 30, 2012, with a six-month maximum obligation of \$622,481. HMA will continue to provide consultant services for the following projects:

1. Ambulatory Care Network (ACN)/ patient-centered medical homes. HMA will provide ongoing and continued support to the DHS ACN in implementing the new patient registry, implementing its medical home teams, and developing competencies for care management.

2. ACN budget, finance and productivity cost review. HMA will provide consultation to DHS ACN and Finance in preparing for the FY 2013-14 budget (implementing health reform), opportunities in outpatient surgery and lab services, and analyzing clinic productivity with the goal of maximizing clinic capacity within existing resources.
3. Program Development for 90/10 Health Home Initiative. HMA will provide program planning and consultation for implementation of Home Health Initiative including draft State Plan Amendment (SPA) and process to capture eligible costs.
4. System Integration. HMA will provide consultation to DHS in better integration of components of the DHS system.

The proposed agreement continues the approach of gradually phasing out HMA's involvement as DHS staff are able to take on and continue the work. During the last half of 2010, HMA provided support to the Ambulatory Care Task Force, in developing the restructuring plan and then beginning its implementation. During the first half of 2011, DHS identified core leadership for its Ambulatory/Managed Care Division and began to create the organizational structure, using existing resources, to implement this plan. During the second half of 2011, HMA provided ongoing support for DHS in ambulatory care transformation and for DHS, DMH, and DPH, in integration of physical and behavioral health, and with the proposed 90/10 Medical Home initiative. Notwithstanding this phase-out effort, however, the additional resources available via the recommended HMA consultant contract amendment are critical to DHS in continuing the restructuring of the County health delivery system within the framework of the 1115 Waiver transition to health reform.

FUNDING/FISCAL IMPACT

The proposed maximum obligation for the additional six months is \$622,481 with a total maximum obligation for FY 2011-12 of \$1,622,023. Funding is available in the DHS budget for FY 2011-12. Successful implementation of ambulatory care restructuring will create the opportunity for significant increased federal revenues under the Waiver's Low Income Health Program (Medicaid Coverage Expansion).

RECOMMENDATION

It is recommended that your Board delegate authority to the Director of Health Services, or his designee, to execute an amendment to Agreement #H-704934 with Health Management Associates, to extend the term six months, through June 30, 2012, with

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additional funding in the amount of \$622,481, for a total maximum obligation of \$1,622,023, for consultant services to continue to assist DHS with ambulatory care transformation and other initiatives for implementation of the new California 1115 Waiver, subject to review and approval by County Counsel and the Chief Executive Office.

If you have any questions or need additional information, please contact me or John Schunhoff, Ph.D., Chief Deputy Director of Health Services, at (213) 240-8370.

MHK:JFS:jp

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors